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Date: <u>12-6-FEB-1980</u>	8 CURRENT WORLD-WIDE INTELLIGENCE ESTIMATE

General Moore, Gentlemen.

It is a great privilege to be here, and I hope that what I have to say will not duplicate too much what General Trudeau spoke to you about yesterday. I read his speech over late last week, and I find myself almost 100% in agreement with it. There are one or two small instances which I shall call attention to merely to illustrate lack of assurance in this intelligence business, and the fact that we have a good many unsolved problems before us. What I have to say insofar as possible will reflect what we call Coordinated National Intelligence i.e. IAC estimates and on the major points the parts of those estimates that are cranked into National Security Council papers such as the present basic paper 162. The general outline of my talk will be first a look at the developments within the Bloc and where those seem to be heading over the next few years, and secondly, a selective tour around the still-free-world parts of Asia and Europe and finally, an attempt to pull the two together by posing some of the chief problems that I think will confront all of us in, say, the second half of the 1950's. Why don't I look further than that? Well, because there is enough appalling in that period to fill up at least 50 minutes.

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[REDACTED] represented us up here on the 27th of February, 1953 with more or less the same mission. It is interesting to note that that was a matter of hours before the Soviet radio announced the fatal stroke that hit Marshal Stalin. You might say that was the last rounded presentation the

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the intelligence community put out of how the world looked given as one of the data the likelihood of the continuation of Stalin's personal power. Now 54 weeks, roughly speaking, have elapsed since his death, and it has certainly been a most eventful period within the Soviet Union and within the Soviet Bloc.

First, let's look for a second at the political picture within the Kremlin as we see it. It is not at all clear. It is not as clear as we would like it. We have obtained from a couple of recent defectors some interesting insight, but after all they were at the lieutenant colonel level, they were overseas, and if a lieutenant colonel from GHQ Tokyo went over to the other side -- exactly how accurate a picture could he give of the fighting going on in the Pentagon or the White House or NSC staff? It would not be very very great, I don't think. But as well as we can reconstruct the picture, we conclude now that the leadership struggle is by no means over. The terms of that struggle, however, seem to have been settled by a general gentleman's agreement that they will wrestle things out in a true collegial spirit. There is more than just propaganda to this talk about the unity of the party and the committees and the collegiality of the leadership. There is an agreement whereby if a fellow fails or is found wanting, he isn't hauled up before a secret tribunal in the Lubianka and shot; and it was for violation of this agreement rather than for anything else that we feel Beria got his. He apparently agreed at the outset to be part of the team and to let it decide whether the MVD or the Ministry of Mines should have the gold mines and when he found himself on the losing end of some arguments, he began a plot to take the works over. There is some indication that this plot was relatively far advanced, and that the strike in June which nipped it in the bud was none too early. But that is not by any means sure.

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The political rise of the army is obvious to all, even from the open press. The immediate rehabilitation of Marshal Zhukov who had been relatively in the dog house since 1946; the naming of Vasilevsky, a great staff officer, as deputy minister of war; and particularly the fact that Konev sat as the chief justice in the trial of Boria -- all were meant to give both the army and the people the clear indication that the Soviet army was part of the top policy making apparatus, that its consent was necessary for any group's program or continuation in leadership.

So, we come back now to who is that really counts in the Kremlin and what are their natures. In the opinion of most of us, though there have been dissents, Malenkov is still in a very solid position of primus inter pares as chairman of the Presidium. He, I believe, has the reasonable respect and devotion of the army. Some of you may know the story of late 1941 when Stalin was in a well deserved blue funk on account of the failure of Budenny and the other old Bolshevik marshals to show any kind of competence in dealing with the thrusts of Runstedt and Bock and Leeb; Malenkov, then a relatively junior functionary -- sort of cabinet secretary to the premier -- handed him a paper, and on that paper was a list of junior generals and in one case a colonel. He said, "Marshal, if you want to win this war, these are the men who can win it for you." The significance of that list was that everybody on it was in a concentration camp for long or short sentences as a result of the '37 and '38 purges, and among the people on the list were Marshal Rokossovsky, Chorniakovsky, Malinovsky, and three or four others all of whom became the great colonel -- generals and marshals of the war. Now, a group at the top who owe to an individual not only the

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fact that they have got six stars or whatever a marshal of the Soviet Union wears -- but also had it not been for him, who would probably have died of malnutrition mining coal in the Vorkuta -- are apt to have, if a Soviet citizen can possibly have it, a certain degree of loyalty and respect.

Then, the other group around Malenkov that is interesting is the industrial tycoon type represented by Saburov and Pervukin. Pervukin is a man who came up by efficient administration of power plants -- both construction of them and running them and designing them. Saburov is sort of the overall director of the economic planning and a business man, who as one of the people who knows him best, said to me, "would had he been born in Detroit have wound up as head of General Motors or Chrysler." He is just one of those fellows who makes fewer mistakes in administration, has got tremendous energy, and is intensely practical and pragmatic. That, I think, is the strong group, and as I will say when we get talking about their economic development, is part of the strength of the Soviet today -- these people who are at the top now are much less doctrinaire, much less inclined to turn to a Marxian textbook for a solution than they are to be empiricists who look at the problem and solve it in what we would consider the practical American or free economic sense. In this connection, it is interesting to note the reemergence of Varga, an economist who has had his ups and downs, but is now noted for his rather realistic appraisals of the U.S. economy and its ability to stave off a real depression, which view contrasts sharply with the formerly fashionable Marxist claptrap about the inevitability of capitalist collapse.

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Then of course, there is our friend, Khrushchev, and there are a lot of people who think that Khrushchev is a rival to Malenkov and that certainly is a hypothesis that has got to be kept open. I suppose many of you read Marshal MacDuffie's pieces in Colliers; I think they are well worth reading to give you a picture of this man. However, I am inclined to think that he is part of the working team and does not aspire to single or sole pre-eminence which would require the liquidation or firing of Malenkov and several others. He is certainly in a way in a dangerous position himself because of the fact that he is charged with the agricultural program, the toughest program they are facing of the ones they have announced and committed themselves to.

Where does Stalin's memory stand in all of this? It is very clear, as Chip Bohlen says, that a well designed head-shrinking process has been underway since a few minutes after the last funeral oration was made last March. It is not counterbalanced by a head-raising or blowing-up of any one of the others. The idea is to get the great papa Stalin down into his proper niche with respect to Lenin, Marx and Engels. He certainly is not intended to endure as more than one quarter of that quadumvirate, and there is good evidence that he is to be treated as less than 1/4. He was a faithful carrier-on but not an innovator, not the creator that they were. The number of pictures of him, the number of references to him and the tone of the editorial on the anniversary of his death, all point in this direction. As to the latter, Ambassador Bohlen concluded that the writers of the editorial would have said, if they had been honest, "the best thing Stalin did for us was to die."

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I described him once in a briefing, when we were beginning to get this picture, as reminding me of the George Washington Hill type of son-of-a-bitching old chairman of the board that had lived beyond his time, with his politburo associates like bright young executives out of the business schools just waiting for the old man to go. He was capricious, he spit on the table, and they had to say "most magnificent spit ever seen, sir" in order to save their neck and that kind of thing. And now, there is a great feeling of relief. Bohlen and others who visited there attest to the fact that that runs all the way down in the party. A very nice expression that has appeared in print is that the people now feel that if they "stay off the grass", they are not going to be suddenly seized in the middle of the night and yanked off to a quick drum-head trial and Siberia. Certainly if they transgress, they know that the firm hand of the state is right there and will brook no wise stuff, but on the other hand, if they go about their business, the capriciousness, the hand that strikes in the night -- that kind of thing is removed from them and that is an intense relief.

That leaves as the main concern of the ruling hierarchy you might say a sort of apathy of the people. They are terribly tired, as everybody said, from the war and the strains put upon them to rebuild. They can't help but be tired out by the constant din of the "hate America" campaign and this, that and the other thing, and there is no question but that in recent years ('52 and '53) a definite slacking off of their rate of gain in labor productivity and other things has been notable; therefore, the regime has to offer them something not only tangible and real but also relatively near

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in terms of time -- near at hand. That brings us to the economic program that they have talked so much about and, as we know, are really doing a lot to accomplish right away.

I am not going to repeat the general figures about the phenomenal growth rate of the Soviet industrial economy which, I believe, General Trudeau gave you yesterday. I concur in all of those. Let me say here as an aside that the small group of people, some of them unfortunately in intelligence both in the military and civilian side, who are still skeptical about that, who are still fighting the problem are doing themselves, and doing the country no service at all. These facts are established: The basic growth rate of their economy, the fact that they are producing 38,000,000 metric tons of steel and are virtually self sufficient in all vital materials. There is no point in arguing about that anymore. Let's see what they are going to do with it, where they are going from here.

What is the nature of this "new course"? What are they promising and why? The first characteristic of it is that it is no flash in the pan, it is no mere one-speech thing to distract people from a momentary worry -- by no means! It is something that the whole hierarchy is bending itself to, the whole propaganda machine is shouting repeatedly, committing the regime to success in it or else to a most embarrassing and possibly fatal loss of prestige. It is short-range in the sense that the program is not a five year program. It is a re-do of the fifth five year plan supposed to end at the end of 1955, and in other aspects a special three year plan. They talk in terms of '54, '55 and '56 as being the time within which certain extraordinary goals will be met.

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Why did they do this? Definitely, to my mind, not to appease or out of fear of imminent revolt. They did not have to do something like this because they were in a shaky position. There is just no evidence of that at all. I am talking within the Soviet Union now; it is a little less true in the satellites which I will get to in a second. It to my mind again stemmed from their practical, empirical look at the situation. A guy like Saburov or Pervukin could realize by studying the figures that the drive for industrialization under Stalin was wonderful but it couldn't go on in that degree of imbalance forever because they were just plain lacking the worker incentives not only at the lower level but particularly at the upper bureaucratic level -- say what we would call the managerial level -- and therefore, a degree of carrot had to be offered in order to get not only a happy and peaceful people but to get the maximum industrial growth over the long pull. There was a re-appraisal of the concentration of their effort.

This is particularly borne out, I think, by the nature of the products that they are speedily engaged in expanding such as television sets, vacuum cleaners, home washing machines and that kind of thing, which are going up by hundreds of percent but of course can only go to the top managerial class.

What makes Sammy run in this country if we get away from the moralizing and that kind of thing? Basically, it is Mrs. Sammy's wanting another fur coat or another washing machine or something like that that keeps Mr. Sammy in the free private enterprise sector of the thing, pushing for a higher job, willing to transfer for another \$2,500 to another company, and willing to work himself into an ulcerous death in his late 40's or early 50's.

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(There are said to be other incentives to us government servants and others). The point I am making is that the Soviets are getting closer and closer to us in this basic drive by offering not just more rubles -- and Lord knows! the manager of a Soviet plant got proportionately more times as much recompense in rubles as his lowliest worker than ever occurred (at least since the early days of the New Deal) in our country. But when it was nothing but rubles with which he couldn't do anything other than buy savings bonds, etc., it sort of lost its appeal. Now, they are offering to him good consumer durables, fancy foods, etc. Note that they are not importing grain, potatoes. They are importing Danish butter, bacon, lamb from Uruguay and this, that and the other thing that will grace the upper-middle-brow tables you may be sure. So, I think the real drive behind this thing is the drive to balance the economic growth, to make it as totally effective over as long a period of time as they can, and that runs them square into the agricultural problem because that has been pointed to by all experts as the limiting factor on their growth for many years.

They have, it is interesting to know, in the Soviet almost exactly as much arable land as we have in America, but their best arable land contrary to many people's belief -- the so-called black soil of the Ukraine -- is not like the really fat lands of Iowa and Illinois and the bottom lands in our country. It is more like the wheat lands of North Dakota and upper Nebraska and that kind of thing. They have a choice of more intensive agriculture or of expanding to more submarginal lands, and it is quite clear they are going to do both. The pressure on the chemical industries and

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mechanical industries to turn out stuff to aid the agricultural cooperatives is great as is also this drive to open up pioneering lands. But no matter how much effort and how much efficiency they have got, this is a very tough nut to crack, and it is in the opinion of our experts the least likely part of the "new course" to succeed. In other words, since we all hope them the worst, famines, dust storms, inefficient tractor station managers are what we should particularly wish on them.

Housing is another sector that they are booming because that has lagged in the past. And retail distribution facilities so that the new consumer goods can at least be held out as lures to as wide a group of the populace as possible.

So much for what they are going to try to do. What sector of the economy is going to pay for it. Out of whose hide does this bulge come? One question you might ask is does this mean that there is going to be less capital investment? We don't believe so. The capital investment will be in large measure redirected. At one extreme the megalomaniac, Stalinist projects such as the Main-Turkman Canal, the canal that joined the lower Danube bend directly to the Black Sea, a tunnel under the Straits of Tartary to Sakhalin were cancelled. Why? In the first place I think it is because a tough cost accountant mind like Saburov just said "there is no pay out in it. You just put more man hours of labor into that than you will ever get out of it." Secondly, because even if he were wrong on that, the darn thing wasn't to be completed until 1959 or 1961 or something and they are just not fooling with that kind of grandiose long-range scheme.

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On the other side some things that were purely show -- for instance, the Warsaw subway -- as far as we can make out have been cancelled, and the workers taken from them not necessarily put in the farm fields or the retail stores but into steel mills. They have gone back into the middle of the capital formation sector of the economy.

And the other end related to lighter goods, such as food canning machinery and machinery to make consumers' goods rather than other capital goods has definite indications of being built up. So, the growth of the economy in the capital goods sector as a whole will probably remain about the same.

Another possible source for the new goods may come from the apparent terrific drive for labor productivity and for the use of all resources that are idle. That shows up clearly in a speech of Malenkov a day or two ago. And we get all kinds of indications of drives for by-products. "E.g. 'comrade manager, your airplane company, isn't it putting out aluminum window screens? You have got this spare aluminum and you could without very much of any sacrifice in your major products add this to the economy.'"

Then, we come finally to the big hassle and I am not sure what General Trudeau said about the military sector -- if he talked about it. There are some who feel that when you add all these things that they might say about more efficiency and so on and so forth, that they still can't have this boon to the consumer without a serious cutback in their military program. And there is a little evidence hither and yon of a shipyard that used to do this and is now doing that. We don't know whether it has cut out building

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ships; we only know that it is also building treads for tractors. The net conclusion we have reached in the intelligence community is that the military sector will not be absolutely cut back. In fact, it will probably grow only a little less than the whole economy. In other words, instead of the growth both absolutely and proportionately that we witnessed in the four years '48 to '52 they are now going to stabilize it at a rate of about 4 to 5% a year. Military economists tell us that that would give them enough to keep on any reasonable modernization program of all three services provided they didn't plan any particular expansion. (The 1954 Budget published after this talk was delivered, indicates an apparent cut-back in military sector. But it should be borne in mind that new development and atomic energy are not included in the so-called "defense" section of the budget, but are placed in the "growth of the national economy" and "all other" 41 sectors, both of which show a pronounced rise.)

It is interesting to note, too, as Mr. Johnson of the Army's ORO has maybe this whole program was geared among other things to the fact of their achievement of nuclear technical equality with us -- not saying whether they have got it or not -- but they might believe that their successful explosion of last August put them not quantitatively but qualitatively even with us. The major announcement of this economic program was contained in the same speech in which Malenkov announced the conquest of that particular scientific frontier.

Finally, there are two other courses of action that might give them a chance to make at least a temporary record of success in this announced

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program. One is drawing down their reserves, and there is very definite evidence that in food and lumber and in other things they have been much freer with the so-called state reserves which we always consider reserves for war than they have in the past. One calculation showed up to 9 times as much released during the calendar year '53 as during the calendar year '52.

The other is expansion of foreign trade. Here again you see a form of realism. Formerly there was a sort of psychopathic hoarding of everything that a baby would call a strategic commodity whether it would be gold mined in the Kolyma or oil from Baku. Now, we see that stuff flowing into international trade. Why? Because a fellow like Pervukin says to himself, "What good is a lot of gold in Fort Knox?" (or Knoxsky or whatever they call it in the Urals where they keep it). The answer is none. Obviously, we have got to have a certain amount of gold if we get in a long war, but we have been for 20 years piling it up at a fabulous rate." They probably have gold stocks now of around \$5,000,000,000. Their annual gold production is variously estimated at from \$300,000,000 to \$500,000,000, and I am inclined to accept the higher figure. So, what they have shipped that has excited the Paris and London markets so much amounts to only a hundred and some million and so far is still not even one year's annual production. There is no point in taking a laborer out of a steel mill, trying him for some crime against the people, waltzing him up to the Kolyma if all he is going to do is dig gold out of one hole and put it in another. But if he is going to take gold out of the ground, send it to Denmark to get butter and eggs and bacon to make a better table for the good citizens of Moscow and Kiev, that does make some sense.

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So, over-all, as I have said several times now, I would sum this program up as a practical one that, with the exception of the agricultural part, is likely to succeed, likely in the long run not to soften their economy in the sense of making it all pay for the populace, but rather to give them a better base for the long-term race (I think General Trudeau spoke in terms of 50 years) between them and us assuming no hot war comes.

At the risk of going in part over what General Trudeau did, I would like to talk for a second about three aspects of their military program because I think it ties in to the economic picture. They may feel that the next war is going to be fought with radically different weapons which, though expensive individually have decisive effect and that the clean-up of the war, so to speak, will be with conventional weapons of which they have any god's quantity -- e.g. tanks; artillery pieces, etc. If so they may well have concluded that they can cut back on conventional weapons while gaining on us by concentrating on selected brand new instruments of war.

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That thing as you well know from the Harz Mountains is looking down the

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throat of anybody in England. It does not reach to Spain, of course, or to North Africa. The R-14 rocket is pretty close to if not at the point of initial production and it has a range of 3000 kilometers or 1800 miles and that is enough from anywhere in the Soviet Union to hit anywhere in the eastern hemisphere that they are interested in. There is an indication that one of the requirements put on this missile was geared to their atomic energy program: The size of the warhead it would carry is 3000 kilograms or 6600 lbs and that is the same as the size bomb they have been developing. It also would be long enough in range so that the launching sites could be deep within the Soviet Union and probably adjacent to at least the production sites or assembly sites of the critical parts of the weapon. Knowing the Soviet penchant for deep, deep secrecy, things like that made sense.

So much for guided missiles. Now, for a second to piloted planes. There is an awful lot of rhubarb both in the press and in the intelligence community about the development of more or greater planes than the TU-4 which we all credit them, and incidentally this figure is a conservative one and very accurate.

The pictures that came out in Newsweek and Aviation Week recently are believed to be phonies. They haven't been proved to be so yet, and if they are they are as clever phonies as has ever been planted on an intelligence service.

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But we sent pictures up to [REDACTED] -- "we" meaning the Air Force in this case but in close conjunction with us -- and they are

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clearly telephoto shots. They clearly have a characteristic light refraction of a counter rotating props, and a person would have to have seen counter rotating props in action in order to fake that, but be that as it may, I only say that these estimates which I am giving you are very, very loose ones. They are the best we can do now; we have indication now that this type 31 which that one picture is supposed to be is in production at one of their major plants and has been so since July '53. So that gives them today 1000 TU-4's and a few dozen going to operational units -- special units -- of the long range or heavy turbo-prop 31.

Their program over the next few years, as we envisage it and on this the Air Force does 95% of the work, is that they will probably not expand a long range Air Force in numbers much of any. It will be an improvement process phasing out the TU-4's as they get the type 31's, a jet medium bomber and possibly by that time a few jet heavies, the equivalent of our B-52. This jet medium that has been seen on a couple of airfields is a funny one to classify. It is bigger than our B-47. It is considerably smaller than the B-52. What its range and weight characteristics are we do not know, but it clearly could carry major atomic weapons. The following tabulation was shown at this point. It is taken from National Estimates approved in late February 1954.

Soviet Long-Range Air Forces:

Type	1954	1957
TU4	1,000	475
Jet - Medium	----	325
Type 31	30-50	500
Jet - Heavy, Type 37	----	Few (?)

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(Evidence received in late April 1954 indicates that the Jet Heavy and Jet Medium programs may have been considerably further advanced than is indicated by the foregoing. Conversely, it may be deduced that the Type 31 will never be produced in quantity.)

Finally, I would like for a second to give you the figures that have been agreed by the IAC and presented to and accepted by the NSC of the Soviet atomic program as we see it. On this we are on much firmer ground. I have neither the technical competence nor do I believe it appropriate here to go into how we have proved this, but there are certain absolutes in chemical science and in trace analysis that enable us to say that these figures for the total kilotonnage or megatonnage that they have produced is accurate to within 25%, and the people who really work on it say that is giving the maximum margin of safety.

Previously, we always used to estimate these things in terms of nominal bombs, 20 KT bombs. Now we have some evidence to know how they are breaking up their stockpile into a family of weapons, and while this isn't terribly firm it is good enough to work on and from the analytical point of view it is a little like chess. Given so many megatons of destruction how would you sitting in the Kremlin preparing for a war that maybe you don't want and maybe you do want -- how would you divide them up? A typical and logical arrangement is in huge jobs -- one megaton -- medium-city killers and tactical weapons whether gun type or airplane type -- I am not arguing now.

At the moment then we believe that they could have 18 one-megaton bombs, nearly one hundred 60-KT and a couple of hundred of the 5 KT. I don't

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think any body who plays on our side in that game would call that atomic plenty. But look at the 1957 figure: 80 of the big babies, 235 of the 60-KT, and up to 700 of the tactical ones. I didn't total these because you are not adding addables -- but over 1000 bombs. Look at the total destructive power. Up nearly four times in three years. From 24 megatons, 24 million tons equivalent tons of TNT to 97 million tons. The shocking thing about that is the contrast with our estimate of last July before the tests of August '53. In terms of this common denominator (megatons of power) we gave them last summer 12 in '54 growing at an arithmetical rather than a geometric rate to 25 three years hence. What we have learned since they have contaminated the atmosphere so nicely in August and September last year has caused up to double our estimate of their current stockpile and to up that for '57 by approximately four times. By any responsible judgment we must than credit them with atomic plenty.

A word or two about the satellites. The East German rising of last June caught the Soviets by surprise. It caught everybody by surprise including the Germans who were in it. It was a lovely spontaneous thing. So far as we can find out there was no staff work, there was no well organized plot. On the other hand the Soviet reaction was magnificently efficient. The detailed studies we have made months afterwards piecing all the little tidbits together of the speed with which they mobilized their forces, the care and success they showed in not bashing heads or shooting people is something for which we would have passed out plenty of Legions of Merit and a few DSM's if the same kind of thing had occurred in [REDACTED] say, China.

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1946 or 1947. On the other hand ruthlessness in ferreting out the ring leaders who showed up during the course of the day and just plain making them disappear is also evident. And the conclusion we have drawn -- and I have found on a recent trip to Europe including Germany it is held there intensely -- is that there will be no more 17th-of-Junes. Don't plan anything in the hope that this revolt is just simmering under the surface and sooner or later some unpopular decree will come out and the whole thing will go up again and we will have a chance to do something about it. People learned their lesson; the Russians learned their lesson. At the Berlin Conference the Soviets clearly showed their policy: "here we are and here we remain", based on cold-blooded military analysis of "we are here and you can't throw us out. What are you offering us to get out?" Moreover they didn't hesitate to behave in a complete "back of no hand" manner propaganda-wise to the Austrians, the Germans, every free person. Thus they showed that when it comes down to playing this hard game of power politics, the Soviets will let their much vaunted propaganda machine play second fiddle if its goals conflict with their objectives as seen from a hard boiled military point of view.

That has convinced, I'm afraid, many people in the satellites and in East Germany that they are in for a long haul. I had an interesting talk with a doctor from Leipzig, a young fellow, who could emigrate out, but he said, "I'm a doctor. I owe duty to take care of my fellow man. I was born and brought up in Leipzig. My patients morally speaking are the people of Leipzig. I am "emigrating" within myself. I am doing my best

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forget my political surroundings. I am going to concentrate on being a good professional man, a good family man and listening to good music which thank God they still allow us to do, and we Germans have lived under pretty bad tyranny and stupidity in the past. I guess we can do it again." So, all I say is don't make any policy plans band on any optimism about how likely to blow up the satellites are. I am talking now, of course, in the absence of general war.

Now, to China which should never, of course, be called a satellite. There is a partnership arrangement there. Certainly China is a junior partner in the sense that it hasn't got much capital to put into the "firm", but it is by no means a push-over. It doesn't take orders. It negotiates. As far as we can make out, there is a good deal of pulling and hauling as to who shall call the tune with respect to the Vietminh and with respect to Korea and elsewhere in Asia. There is evidence, for instance, with respect to India that there is almost a cat fight within the local communist party -- between those that are reporting to Peiping against those that are reporting to Moscow.

Certainly again, China is engaged in a tremendous industrial development. The reports that the Swiss, Indians, and in one case a Swede, brought back from Kukden and Peiping of really spectacular achievements in construction, in building steel mills and double tracking railroads, etc. are noteworthy. But again their limiting factor is the agricultural sector of the economy. That is the only place they can get more people to do more work and at the same time they haven't got enough to eat.

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What happens if Mao dies, or as one report is, has already died and/or been purged? It is hard to say but we would look, I think, to Liu Shao Chi as his successor. It is by the process of elimination. Chou En-Lai is certainly very prominent and would maintain the same kind of prominence that he has, but he is essentially the Molotov of China. He is the guy who has the external front, but he does what he is told and doesn't meddle in internal affairs. Chue Te the great builder of their army is 68 years old, seems a little tired, and by and large the younger generals like Lin Piao and others seem to have replaced him. That leaves to our mind as an only rival a man named Kao Kang who is the, in a sense, the Khrushchev of China. He is the ganleiter of Manchuria where he is doing a wonderful job. He is the tough guy. He probably would get along very well with the Malenkov-Saburov type of thinking, but he has been slapped gently on the wrist recently in a little-known propaganda broadcast so he may be somewhat on the outside of the innermost clique.

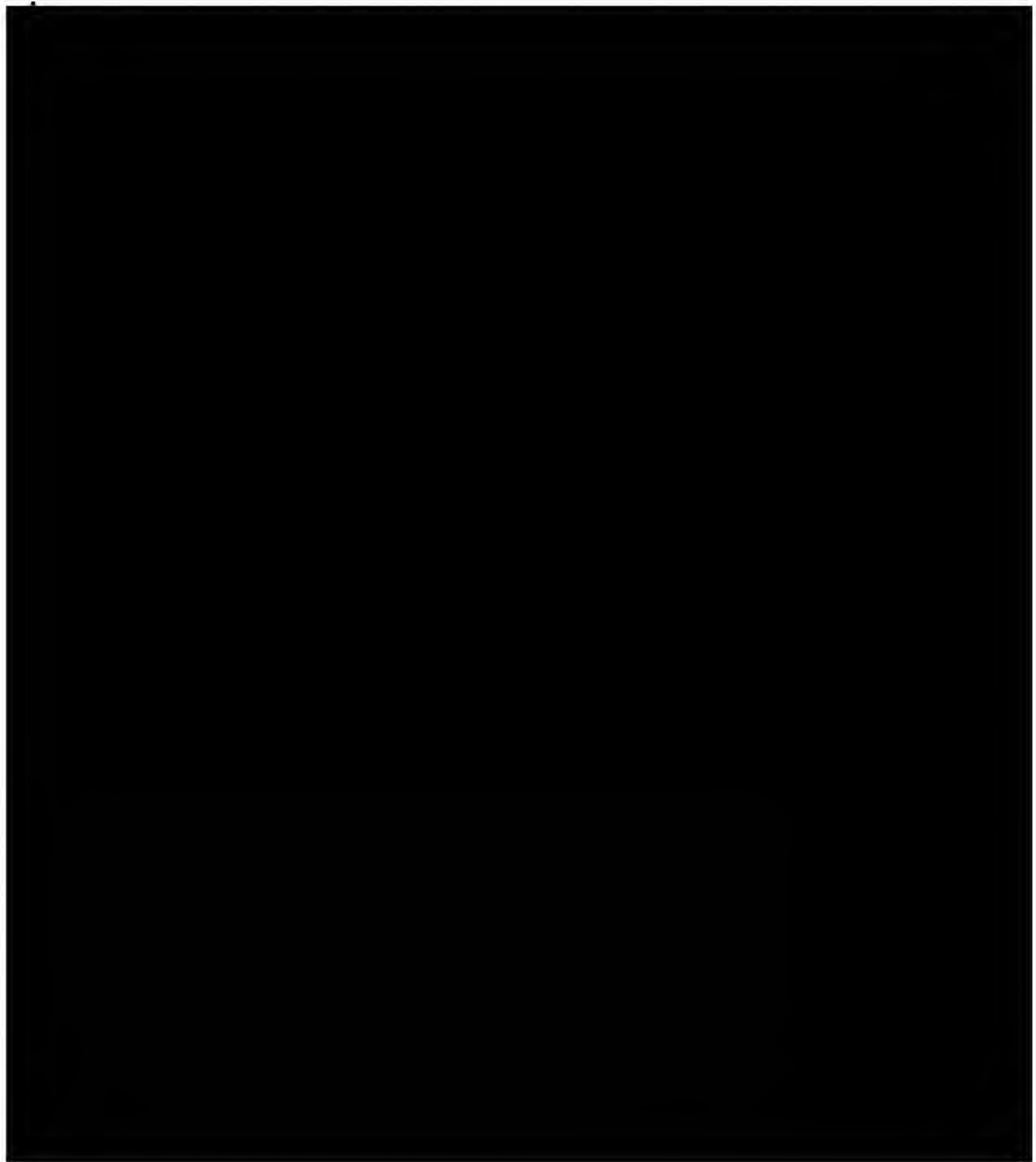
I said I would take a quick tour with you around selected parts of the world.

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Let's cross the channel to France. I left a couple of weeks ago. You don't have to go there; you can read in the papers what a terrible political

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disease it is suffering from. There is, I believe, reasonable hope* that EDC can be ratified in the next 6 weeks. The Socialist party under Guy Mollat has resolutely and very courageously set itself to hold a convention later this month and to impose party discipline which they can by their party constitution making anybody who votes against EDC automatically read himself out of the party which they expect about 11 people under Jules Moch to do.

Moch, as you know, is a bitter Germanophobe with good reason, two of his boys having been tortured to death by the Gestapo.

If, on the other hand, Laniel, who is very anti-Socialist in all the rest of his make-up, is foolish enough to make too many concessions to the URAS and ARS, the old Gaullists, this ball game might be lost. In other words, if he makes concessions to trade for, say, 20 Gaullist votes and antagonizes Guy Mollet the ball game is certainly lost. But even if you win that particular game and get EDC ratified by the parliament, then what happens? The government is pulled down very likely and how do you form a government under the present chamber setup because the group that you

pull together to agree on EDC agrees on absolutely nothing else about the solution for France. -- the Antoine Pinay's, the Nemri Queuille's and others want a conservative right wing economic solution. The Socialists, of course, want more Socialism. So it is a very unhappy picture, and it is particularly unhappy because of what is going on in Indo-China and I am not going to labor that point very much. I am a little apprehensive about this Dien Bien Phu thing. Three pieces of evidence that you might not have gotten through the papers that might be of interest to you are a report by an

*Later developments have shown this to be false optimism in my part.

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[REDACTED] who went in there. Both of them concluded that no western military man would conceive of attacking it without air support, that if you couldn't soften it up with a good load of napalin, etc. before, it just couldn't be taken.

On the other hand Gogny in moments of frankness has talked of what happens after Dien Bien Phu falls, saying "well, it is only 15 of my battalions and I have got a hundred and so many battalions." As far as the events of the last two or three days are concerned, the only thing I know that isn't in the paper is the fact that the first attack overran and destroyed as the French put it 4 foreign legion companies. Now, the foreign legion are the best of their troops out there, and that was 1/15 of the garrison went out that night.

Secondly, I think it is important to realize that the battle will be won not when the last Frenchman is destroyed, but when the Vietminh has, if they can, established a position that interdicts the airfield. They are getting along on 6 days of supply there now. If the Vietminh can get in and hold the airstrip 10 or 12 days, the garrison is absolutely out of ammunition and on half rations and so on. So it might well be a touch-and-go thing.

As far as its effect in Paris is concerned make no mistake about it. It would be the Yorktown of that war. (That phrase has been used by Joe Alsop, but I say I used it before -- not to Joe.) Because the French are so war weary with this thing that such a significant reversal of what they have been told to hope for from the Navarro-Laniel Plan would just destroy any possible argument and it would be a scuttle-and-run deal which would be terrible to behold. That, you might say, is the optimistic side of the

thing from the point of view of the local battlefield because as sure as God made little green apples Navarre and Gogny and Do Castries know that and they will do what they can to achieve a victory.

Italy presents a grievous, smelly situation these days, with the Wilma Montesi scandal. Nobody ever gave the Scelba government a great deal of strength or liklihood of enduring. In fact, I think the Embassy's best estimate is that it might last until about June. Now, this scandal, forcing the resignation of the chief of police, maybe the acceptance of the resignation of Piccioni -- though we don't know just how the cabinet is going to decide that one in the next day or two -- makes its endurance very limited.

What happens if it falls? You have got a choice. You can have elections or you can try and form another government. If you have elections, I think you are courting real disaster because the communists and many socialists are on the move. The trend is their way. They only have to gain 3% of the electorate away from the CD or Catholic Center Party to be the number one slate, and under the Italian Constitution that will mean that Togliatti would have to be offered the prime ministership, and if offered the prime ministership under a gimmick that we believe the communists put in the Constitution back in 1946, they get the whole government before the vote of confidence. It isn't like the French system where you come up for the investiture and then you present your cabinet, and if the chamber passes upon the cabinet then you move in and take over the ministries. Oh no! In Italy the minute you are designated, you move into the Ministry of the Interior, the Ministry of War -- now, you know with Czechoslovakia behind us what an easy job that would be for the commies. There just never would

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be a vote of confidence, not until they had had a Reichstag fire or something like that to make it go their way. So, we believe, I think, very strongly that if Scelba falls, we cannot risk elections at this time and an effort will have to be made to get a national government including the monarchists. You don't want to go all the way to the neo-Fascists. They are just a bunch of thugs as they always were. Whereas the monarchists -- don't be misled by their name -- really are reasonably liberal, economically sensible and in some instances more reform minded like the best of the [REDACTED] than the OD Party. So, a government led by Fanfani or Pella and including Covelli and his monarchists might well have in the eyes of our Embassy there, and I think correctly, a chance of two years of pretty good stability and a chance to clean up some of their economic needs such as an oil, ore, and other things that would make Italy a rather viable and useful member of the alliance. There is no question but that these monarchists are strongly pro-EDC; in fact, they will come out as soon as this scandal business is over and try and grab the publicity ball of being pro-EDC away from Scelba, and I think on that we don't have anything like the problem we have in France.

Germany looks good.

I would like to say a word or two about Egypt and Iran. In Egypt the situation is, I think, a parlous one. The knowledge of this RCC, or revolutionary committee of the people and their needs is just embryonic. It is a little as a high school football team had grabbed off a government and then set about to run it on the most Byzantine method of intrigue and rumor and so on. Naguib certainly has great personal appeal, rather little native ability, but he has gotten married to the job. He was stuck in there as a

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figure head and he likes it and he sees no reason why he should get out just because some lieutenant colonel tells him he isn't wanted anymore. The danger is that this is going to lead to more and more extremism and we feel very strongly, and this is a rather sensitive point and obviously shouldn't be quoted around, that if the [REDACTED] take this temporary weakness as an opportunity to be stiff-necked on the canal negotiations, which they could settle right now if they would yield on the uniform point, the Egyptians would yield on the availability issue. If the [REDACTED] don't do that, and as somebody said they snap the dispatch box closed on that one, then the danger is that in the forthcoming Egyptian elections real trouble will come and we will just wind up with no western garrison there at all because sure as God made little green apples if [REDACTED] tries to hold that area by force after '56 when juridically they must get out unless they can renegotiate a further treaty, the entire region will blow up with it.

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The Shah and Zahedi are not getting along well together and the typical Persian bazaar merchant and purveyor of tales, etc. is doing his best to exacerbate the situation, and unless the Shah and the government all play

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together, you can have another really bad mess there because the ease with which they flip-flop all the way to a Kashani or a Mossadegh must never be lost sight of.

India and Indonesia -- a word only about each of them. In India I think the thing you should be looking to is what happens when Nehru goes. Nehru isn't going to last forever, and there is surely no competent person to take his place. The terrible danger is a fragmentation of the peninsula into a Bombay, a Madras and a Bengali area, and that of course would be the easiest possible pickings in the war both for men's minds and for actual territorial control. In Indonesia, the trend is distinctly adverse to our interests. Prime Minister Sukarno is inordinately conceited and obsessed with schemes to take Netherlands New Guinea away from the Dutch, rather than with the manifold social and economic problems that confront his government. The Prime Minister and Minister of War while not Communist are clearly anti-anti-Communists and are suckers for infiltration of the lower reaches of their ministries. This has exasperated the best elements in the army as well as the moderate and extremist Moslem leaders. The outcome could either be regional wars and general anarchy, or an ultimate Communist take-over disguised for the time being but none the less real. This latter possibility would become particularly acute if Indochina came under Viet Minh domination; in fact, I would expect to see Indonesia lose its grip before Thailand, much closer under the gun, did.

I would like to run over about five minutes if I could to pull this together. On the question of likelihood of war, I believe General Trudeau gave you our estimate that we don't expect a deliberate initiation of

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general war by the Soviets, nor do we expect them to engage in actions which seriously risk war. On the other hand we must always be ready for the possibility that a series of actions, as we say, and counter-actions intended by neither side to lead to war will do so -- July 1914 kind of situation. How much of that is protection, you might say, so that nobody can say if it came that we didn't say it, I hesitate to say.

But I would like you to look at 1957 with me for just a second and see what alarms me. Here I am getting somewhat more personal, but I am by no means a lone wolf in this. Given an atomic stockpile like that, I described given guided missiles that can range to most of our advanced base ring if not to all of it, they then are left with only one missing factor -- sure knocking out of our basic industrial potential in North America. They might be tempted to do that if our defense program was down, so if they thought they had a 51% chance, I don't think we are safe. Russia has had a history of mad czars; the people, the psychopaths in the Kremlin are only a slight notch from it at times; the practical people I have talked about might go out and some of the old fanatics might come back in. The point where I do disagree with General Trud au and others is that I don't think there is any safety in this "they have only got a one-way mission capability in this field".

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They showed in the early days of the summer of 1941, some fantastic one-way missions, very successful ones. A very interesting study pulls all those together. Coupled with the possibility of indoctrinating their pilots with the conviction that all they have got to do is reach Mexico to be

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welcomed as heroes for destroying an American capitalistic, monopolistic imperialism. Drop a mission egg on Denver and go on south and parachute into Mexico would seem no worse to a Soviet air officer than the assignment given Jimmy Doolittles boys in April 1942 off Toyko. And the argument that they could not afford the loss of planes is not convincing: they have built over 1700 TU4s. Having only about a thousand in organized units, and if each one can carry a lethal dose for one of our critical targets, the expenditure of a hundred TU4s would certainly appear to be almost negligible in exchange.

More than the possibility of their risking war, I worry about the blackmail threat, and there I am not at all alone. We are running a national estimate now doing the best job we can to pull together the feelings of our missions abroad, and look at it this way. Given a threat like that put yourself in, say, Brussels as a good patriotic western liberal Catholic and imagine the Soviets move into Afghanistan -- there is a big revolution in Afghanistan and it becomes part of the bloc -- and we yell and scream to the United Nations and say we better start something. All the Soviets do is say, "Listen boys, you really want to start something? You know what "something" means from now on -- nothing but cinders for the entire area of Belgium or whatever your homeland is." You are going to conclude very rapidly that Afghanistan really isn't as important in the world strategic picture as you once thought it was. Once you start letting that nibbling process take place, it isn't many steps til they blockade or squeeze off Berlin. Then maybe the jury will be the good people of [REDACTED]

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If you were in a responsible position in the [REDACTED] government, wouldn't you say, "Well, of course, we shouldn't allow this, but the alternative to acquiescing

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may be the complete destruction of [REDACTED] urban civilization. It will not be terribly persuasive to reply that Russia will be even more thoroughly incinerated and that the "free world" i.e. North America will ultimately win.

That, gentlemen, is what leaves me very blue for the second half of the 50's, and I think it is worth while noting how quietly and nicely they are talking now during this three year build-up I talked about. Three years till their stockpile is reasonably full, three years till they have got these means of delivery better developed, three years till they have got their people happy with things. Then they start again, not deliberately initiating war but heat up the cold war with just the most gentle rattlings of these 1 MT bombs and the holding together of our alliance, the holding together of our own strength is going to take a lot of doing.

Thank you.

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